

State of California
BOARD OF EQUALIZATION

CIGARETTE AND TOBACCO PRODUCTS TAX REGULATIONS

Regulation 4056.1. EXPIRATION OF HEAT-APPLIED DECAL TAX STAMPS.

Reference: Sections 30161 and 30162, Revenue and Taxation Code; Section 6 of Statutes 2004, Chapter 822.

(a) On and after January 1, 2005, the Board authorizes the continued application of heat-applied decal tax stamps through June 30, 2005 in order to effect the orderly transition from heat-applied decal tax stamps to the new tax stamps required by Revenue and Taxation Code Section 30162 subdivision (a), effective January 1, 2005. Operative July 1, 2005, the Board will no longer sell, or allow for the application of, any cigarette tax stamp other than tax stamps which utilize technology meeting the requirements of Revenue and Taxation Code Section 30162, subdivision (a), effective January 1, 2005, except as provided in subdivision (b) herein.

(b) For a period of 90 days beginning July 1, 2005, the continued sale of heat-applied decal tax stamps is authorized to distributors that have acquired machinery for the application of cigarette tax stamps utilizing technology meeting the requirements of Revenue And Taxation Code section 30162, subdivision (a) effective January 1, 2005, for the purpose of maintaining backup inventories for use as authorized by this subdivision (b). During this 90-day period, the application of heat-applied decal tax stamps is only authorized if each of the following conditions is met:

(1) The machinery for the application of cigarette tax stamps which utilizes technology meeting the requirements of Revenue and Taxation Code Section 30162, subdivision (a), effective January 1, 2005 has been acquired, but is temporarily not capable of operation,

(2) Given the inoperability of the application machinery, the distributor cannot meet current customer needs with other machinery or by any other means at that location, and the distributor has notified the vendor of the inoperability of the machine at the vendor's designated service number. The distributor must also notify the Board.

(3) The Board has verified with the vendor that the machine will not be operational within one complete operational day from the time the distributor contacted the vendor's designated service number. The vendor's failure to respond to the Board's inquiry within four operating hours of the distributor's notification of inoperability shall be deemed a verification of inoperability.

If each of the above three conditions are met, the heat-applied tax stamps may be applied until the inoperable application machinery is repaired and operating; and such application shall not exceed two (2) operating days without re-qualification.

Any distributor authorized to apply the heat-applied tax stamps in accordance with this subdivision (b) must maintain detailed records as to the dates, times and number of stamps applied. These records are subject to audit by Board staff to assure compliance with this regulation.

History: Adopted December 14, 2004, as an emergency regulation, effective January 1, 2005.

Amended and readopted April 27, 2005, effective April 29, 2005. Authorized an extension for the continued application of heat-applied decal tax stamps from April 30, 2005 to June 30, 2005 and extended the operative date the Board will no longer sell, or allow for the application of, any cigarette tax stamp other than tax stamps which utilize technology meeting the requirements of Revenue and Taxation Code Section 30162, subdivision (a), effective January 1, 2005, from May 1, 2005 to July 1, 2005.

Amended and readopted June 30, 2005, effective July 8, 2005. Authorizes an extension for a period of 90 days beginning July 1, 2005, for the continued sale of heat-applied decal tax stamps to authorized distributors that have acquired machinery for the application of cigarette tax stamps utilizing technology meeting the requirements of Revenue And Taxation Code section 30162, subdivision (a) effective January 1, 2005, for the purpose of maintaining backup inventories for use as authorized by this subdivision (b). During this 90-day period, the application of heat-applied decal tax stamps is only authorized if each condition in (1), (2), and (3) is met: